

Message Text

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ACTION EB-11

INFO OCT-01 EUR-25 ISO-00 CIAE-00 INR-10 NSAE-00 PA-04

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FM AMEMBASSY LONDON

TO SECSTATE WASHDC 7182

UNCLAS LONDON 00789

E.O. 11652: N/A

TAGS: EGEN

SUBJECT: SUGAR - RECENT PRICE RISE ON LONDON MARKET

REF: STATE 7,,3#

SUMMARY. IN PAST WEEK, PRICE OF SUGAR ON LONDON MARKET HAS RISEN SHARPLY. WHILE OVERALL TIGHTNESS SUPPLY IMPORTANT FACTOR IN RISE, RECENT LARGE INCREASE IN US SUGAR REQUIREMENTS BELIEVED TO BE OF EQUAL SIGNIFICANCE. SOME IN TRADE AND PRESS BELIEVE THAT US UNLIKELY OBTAIN MUCH ADDITIONAL FOREIGN SUGAR IN RESPONSE TO ITS INCREASE IN REQUIREMENTS. END SUMMARY

1. PRICE OF FREE MARKET SUGAR IN LONDON HAS BEEN HIGH RECENTLY AND MARKET HAS BEEN FIRM. THERE HAS BEEN GENERAL NERVOUSNESS ABOUT SUGAR AVAILABILITIES, AND IN ITS PRESENTLY "BULLISH" MOOD, ANY NEWS OR RUMORS SUGGESTING SUPPLY TIGHTNESS HAS RESULTED IN PRICE RISES. THUS LAST WEEK'S NEWS OF JAMAICAN SUGAR EMBARGO AND RUMORS OF AUSTRALIAN FLOODS IN QUEENSLAND GROWING AREAS LED TO SOME PRICE INCREASES ON LONDON MARKET.

2. NEWS OF LARGE INCREASE IN US SUGAR REQUIREMENTS PUSHED LONDON MARKET UP BY LIMIT ALMOST IMMEDIATELY. IN THREE DAYS OF TRADING SINCE ANNOUNCEMENT, MARKET
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ADVANCED TO OR CLOSE TO LIMIT EACH DAY, ALTHOUGH YESTER-

DAY AFTERNOON THERE WAS SHARP DOWN TURN WHEN NEW YORK
OPENED WEAK.

3. ASSUMPTION AMONG SOME IN TRADE AND IN PRESS IS THAT
US WILL NOT GET ANYWHERE NEAR THE ADDITIONAL 413,0N0
TONS OF FOREIGN SUGAR IT SEEKING. APART FROM OVERALL
TIGHTNESS OF SUPPLY, IT REASONED THAT IN NORMAL TIMES
TRADITIONAL SUPPLIERS WOULD BE PREPARED TO FOREGO
PREMIUM PRICE AVAILABLE ON WORLD MARKET IN ORDER TO
SOLIDIFY THEIR POSITION ON US MARKET AND STRENGTHEN
THEIR CHANCES FOR QUOTA INCREASE, WHEN SUGAR ACT RE-
VAMPED. HOWEVER, IN WORDS OF FINANCIAL TIMES ARTICLE
OF JANUARY 15 "... THERE HAS RECENTLY BEEN LOBBY IN
US CALLING FOR ABOLITION OF QUOTA ARRANGEMENTS ALTO-
GETHER. WHETHER OR NOT THIS COMES TO ANYTHING THE CON-
FIDENCE OF FOREIGN PRODUCERS IN US SUGAR POLICY HAS
BEEN ERODED AND MOST WILL PROBABLY PREFER TO TAKE
THE HIGHER PRICES AVAILABLE ON WORLD MARKET."

SOHM

NOTE BY OCT: #REFTEL AS RECEIVED.

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